



2016 ANNUAL REPORT

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EXPANDING OUR SERVICES



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MISSION STATEMENT

Central One Federal Credit Union strives to be its members' Primary Financial Institution by providing access to a comprehensive set of financial products and services at an industry leading level of service quality.



Oakie the Squirrel
Mascot

FROM THE CHAIRMAN

The Credit Union's Vision is to continue to grow and improve the Credit Union to meet or exceed the needs of consumers and small businesses for traditional and non-traditional services on par with the leading institutions in our field of membership. Both "Member Satisfaction" and "World Class" service will continue as the primary key performance indicators for the Credit Union. Satisfaction with our service will continue to be measured through "Member Satisfaction" surveys overseen by the Supervisory Committee.

The following are some of the major accomplishments of 2016:

Disaster Recovery Tests: The Credit Union performed extensive business continuity and disaster recovery tests to ensure members' data remains secure. Overall, the tests were successful and satisfactorily met test objectives.

Additionally, the Credit Union completed comprehensive vulnerability testing to assess the Credit Union computer system environments against potential breach. These tests illustrated a high level of protection for member data. The Credit Union received the highest corporate certification available from a key testing vendor.

Website Redesign: The Credit Union website was enhanced with a responsive design allowing it to be more accessible on mobile devices. The new website features all new content, including enhanced loan and savings calculators. The website went live on January 10th, 2017.

Once again, the Credit Union received favorable reviews regarding outside financial audits. I would like to thank both Management and Staff for their exceptional service to our members. I would also like to thank the Board of Directors, Associate Directors, and members of the Supervisory Committee for their commitment to the Credit Union.

Respectfully submitted,

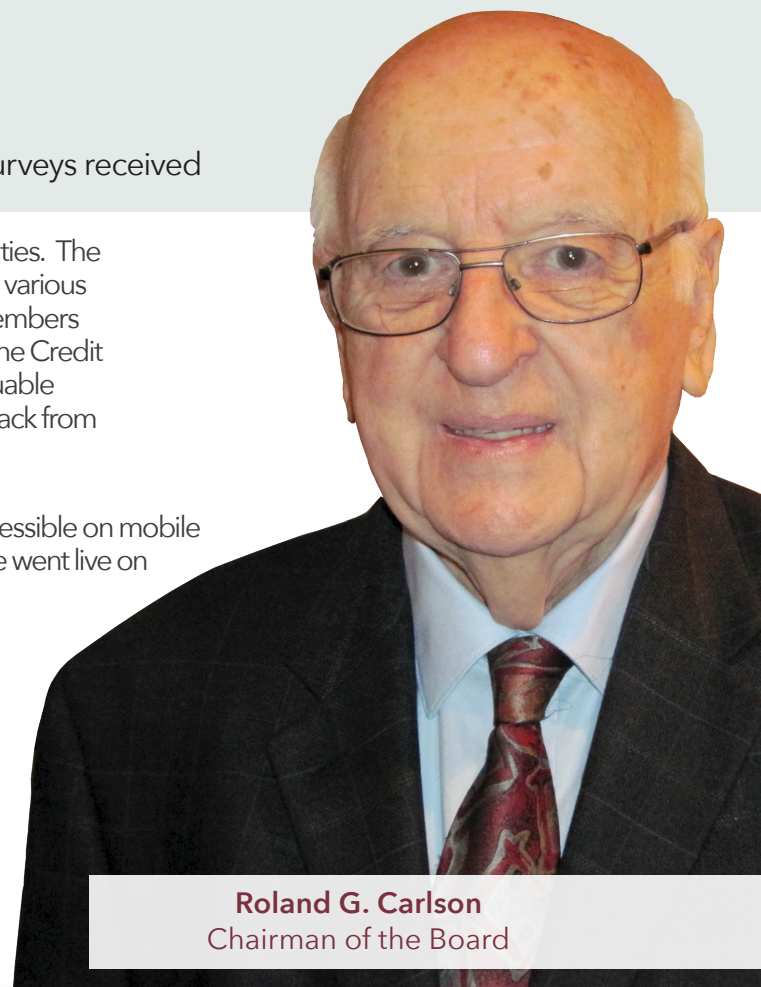
Roland G. Carlson
Chairman of the Board

Financial Highlights for 2016

- Net Income: **\$3,240,000**
- Net Worth: **9.80%**
- Member Satisfaction: **98.40%**
- World Class Service: **85.15%** of positive surveys received

Focus Group: The Credit Union conducted in-person focus groups consisting of both members and non-members to gain feedback on Credit Union programs, new ideas and to better understand the

needs of our communities. The focus group discussed various topics, such as how members prefer to interact with the Credit Union. We gained valuable knowledge and feedback from the group.



Roland G. Carlson
Chairman of the Board

2016 HIGHLIGHTS

In 2016:

Total assets grew to
\$439.57 MILLION

Member savings increased to
\$372.45 MILLION

Loans to members grew to
\$378.94 MILLION

↑
4.4%

↑
6.6%

↑
4.1%

CUSO NET INCOME

Best Year to Date
for Credit Union Service Organizations

Oak Tree Insurance Agency

NET INCOME
INCREASED BY 188%

W.F. Financial Services

NET INCOME
INCREASED BY 29%



242 MEMBERS *financed a home with Central One!*

FROM THE PRESIDENT

Your Credit Union has completed another very successful year in 2016.

With the country finally bouncing back from the great recession triggered in 2008, the Credit Union continues to be a significant choice for financial services in the immediate Central Massachusetts area.

The Credit Union grew its assets by 4.4% and loan portfolio by 4.1%; all the while maintaining delinquency and charge off ratios well below peer averages.

The net worth ratio continues to increase, exhibiting greater safety and security for both the membership and the Credit Union's regulator (NCUA). The Credit Union receives the highest level of net worth rating ("well capitalized"). This designation has been attained by the Credit Union for many years.

The Credit Union also had a very profitable year with its Return on Assets (ROA) at approximately 75 basis points —higher than most of its peer credit unions in the immediate geographic area.

In addition to its financial performance, the Credit Union completed an extensive list of projects meant to improve the member experience and provide greater efficiency.

The following are a few key projects completed in 2016:

Vulnerability Testing:

The Credit Union completed very intricate testing of its cyber security systems and computer network environment to ensure the safety and security of all members' personal and confidential data. The Credit Union success in this area of testing enabled it to obtain a designation that places it in the top 20% of companies in the country.

Instant Issue:

The Credit Union introduced "Instant Issue" of EMV Smartchip Debit and Credit cards at all full-service branches at all times. An amazing accomplishment as most institutions do not offer this service at all.

The Credit Union has always prioritized the member experience and this is measured consistently with the use of confidential Member Surveys managed by the Credit Union's Supervisory Committee. Again, these performance numbers are exceptional with Member Satisfaction at 98% and our World Class service rating over 85%.

I'd like to thank the Staff and Management for their loyalty and hard work; as well as the Board of Directors and Committee members for their leadership and direction. Finally, I'd like to thank the membership for their commitment and trust in their Credit Union.

Respectfully,

Dave L'Ecuyer, President and CEO



Dave L'Ecuyer
President and CEO

COMMITTEE REPORTS

SUPERVISORY COMMITTEE



(L - R) Christine A. Baril and Gregory J. O'Connor (missing from picture Michael J. Cavanaugh and Thomas E. Davey)

The Supervisory Committee is the members' link to their Credit Union. The Committee plays a critical role in helping to safeguard the Credit Union's assets by ensuring adherence to established internal controls, and ongoing examination of accounting records, and loan documentation.

Additionally, the Committee is involved in evaluating and reviewing policies and procedures in terms of their effect on the quality of services, as well as safety of the members' funds. In this regard, the member satisfaction survey has been an excellent source by which we measure your satisfaction. Only if you respond to these surveys, whether critical or complimentary, can we be of better service to you. Our 2016 survey results showed over 98% member satisfaction.

The Supervisory Committee is also responsible for the annual audit. The annual audit has certified that Central One Federal Credit Union was found to be in conformity with generally accepted accounting principles. The management letter that was issued disclosed no material weaknesses or reportable conditions in the internal controls.

As an organization we also engage the services of Macpage LLC to perform quarterly internal control audits of our operations to ensure that the Credit Union is in compliance with federal rules and regulations regarding credit unions, as well as our own internal policies and procedures.

The Committee wishes to thank the Board of Directors, Management, Staff, and most importantly, the Members for their support that further ensures your Credit Union's continued success.

Respectfully submitted,
Gregory J. O'Connor, Chairperson

PLANNING COMMITTEE



(L - R) Jeffrey M. Pond, Carl W. Masshardt, Diane L. Collins and Anthony C. Pini

The purpose of the planning committee is to provide Management assistance and direction in such areas as growth strategy, branch and/or merger expansion as well as periodic charter review.

This year the committee has focused their attention on the extensive re-design of the Auburn branch and potential branch locations to better serve our membership. During 2016, our Auburn branch remained open during the construction process and we express our sincere thanks to our members for their patience. The grand opening of our Auburn branch took place in April of 2017. The committee also continued its diligent pursuit and research of other possible branch locations. We always remain open to branch and/or merger possibilities as opportunities may arise.

Your Planning Committee Members, Carl Masshardt, Anthony Pini, Jeffrey Pond, and I look forward to our future meetings that will focus on providing you, our Members, with "World Class Service" for your current and future needs. We thank the Board of Directors, Management and Staff for their continued support. Most importantly, we thank you, our Members, for your steadfast support in the continued success of Central One Federal Credit Union.

Respectfully submitted,
Diane L. Collins, Chairperson

COMMITTEES

EXECUTIVE COMMITTEE



The Executive Committee is the leadership of the Credit Union's Board of Directors, consisting of the Board officers.

(L - R) Jeffrey M. Pond, Roland G. Carlson and James S. Chalke

ASSET LIABILITY MANAGEMENT COMMITTEE



The Asset Liability Management Committee is responsible for the review and analysis of the interest rate risk and liquidity risk in the balance sheet.

(L - R) Jeffrey M. Pond, Anthony C. Pini, Christine A. Baril, Joshua P. LaPan and Robert H. McLaren

MEMBER BUSINESS LOAN COMMITTEE



The Member Business Loan Committee is responsible for establishing member business loan policy, as well as reviewing and approving large member borrowing relationships.

(L - R) Carl W. Masshardt, Robert H. McLaren and James S. Chalke

PERSONNEL COMMITTEE



The Personnel Committee oversees the staff and VP goals programs, pay scale grades and the CEO's performance and compensation.

(L - R) Charles M. Giacoppe, Diane L. Collins, Carl W. Masshardt and James S. Chalke



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*Rate is Prime minus 1% with a floor rate of 3.25% APR on 3/9/2017. The Prime Rate is published by the Wall Street Journal and can be found at the WSJ website. Actual rate will be determined based on credit history, term, loan to value and other factors. Call a lending specialist at 800-527-1017 for more information.



CFO'S LETTER



Michael P. Rooney
Chief Financial Officer

Total assets increased 4.4% and at year-end were \$439 million compared to \$421 million in 2015.

Total loans at December 31, 2016 were \$379 million. The Credit Union continued to have growth in our loan portfolio increasing \$14.8 million or 4.1%. Home equity loan products increased 6.1% and were the product of choice for our members in 2016.

The Credit Union ended the year with share balances of \$372 million compared to \$349 million in 2015 a 6.6% increase. Core deposits (share savings, share draft and money market accounts) continue to have significant growth increasing 8.2% or \$18.8 million.

The Credit Union's capital is the foundation for developing programs for growth and new activities, capital at December 31, 2016 was \$43 million. Net worth ratio is 9.8% up from 9.5% in 2015. A net worth ratio of 7% or greater is considered by NCUA to be "well capitalized".

Central One Federal Credit Union generated net income of \$3,240,000 compared to \$3,383,000 in 2015. The net interest margin increased \$438,000 due to an increase in loan income offset somewhat by an increase in our cost of funds. Fee income was up 15% helped by an increase in the income from loan sales and servicing fees. Operating expenses as a percentage of assets was 3.1% compared to 2.9% in 2015.

Respectfully,
Michael P. Rooney, CFO

Deposit checks with your smartphone

After branch hours?

Deposit your check securely using the Central One Mobile App!



or visit www.centralfcu.com for more information

**THANK YOU AGAIN
FOR VOTING US #1**

Central One voted "Best Community Bank" in Shrewsbury and Westborough!
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FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015 (In Thousands)

	2016	2015
Assets		
Cash and due from banks	\$ 15,674	\$ 12,219
Investment securities held to maturity, at cost	5,114	5,601
Other investments, at amortized cost	12,799	14,683
Deferred compensation plan assets	3,529	2,355
Loans to members, net of allowance of \$1,254 and \$1,404 in 2016 and 2015, respectively	378,936	364,082
Premises and equipment, net	13,862	13,289
Accrued interest receivable	1,147	1,265
Foreclosed real estate	201	296
Prepaid expenses and other assets	3,857	3,199
Stock of the Central Liquidity Facility	940	909
National Credit Union Share Insurance Fund deposit	3,509	3,297
	<u>\$ 439,568</u>	<u>\$ 421,195</u>
Liabilities and Members' Equity		
Short term borrowings	\$ 19,000	\$ 22,000
Current maturities of long-term borrowings	-	5,000
Accrued and other liabilities	3,215	2,886
Members' share accounts	372,454	349,315
Total current liabilities	<u>394,669</u>	<u>379,201</u>
Long term borrowings, less current maturities	<u>3,925</u>	<u>3,385</u>
Members' equity		
Regular reserve	4,982	4,982
Undivided earnings	38,105	34,865
Accumulated other comprehensive income (loss)	(2,113)	(1,238)
Total members' equity	<u>40,974</u>	<u>38,609</u>
	<u>\$ 439,568</u>	<u>\$ 421,195</u>

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2016 and 2015 (In Thousands)

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2014	\$ 4,982	\$ 31,482	\$ (404)	\$ 36,060
Comprehensive income (loss)	-	3,383	(834)	2,549
Balance, December 31, 2015	4,982	34,865	(1,238)	38,609
Comprehensive income (loss)	-	3,240	(875)	2,365
Balance, December 31, 2016	<u>\$ 4,982</u>	<u>\$ 38,105</u>	<u>\$ (2,113)</u>	<u>\$ 40,974</u>



Rate is fixed for the first 10 years,
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less fees than a fixed rate mortgage.

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2016 and 2015 (In Thousands)

	2016	2015
Interest income		
Loans	\$ 13,850	\$ 13,105
Investment securities	235	241
Interest-bearing deposits	132	63
Total interest income	14,217	13,409
Dividend and interest expense		
Members' share accounts	1,820	1,499
Long-term borrowings	164	115
Total dividend and interest expense	1,984	1,614
Net interest income	12,233	11,795
Provision for possible loan losses	325	225
Net interest income after provision for possible loan losses	11,908	11,570
Non-interest income		
Customer service fees and commissions	1,789	1,661
Credit and debit card income	1,465	1,410
Loan and servicing fees	1,106	891
Unrealized gain (loss) on deferred compensation plan assets	174	(26)
Realized gains on sale of other assets	-	79
Other income	224	119
Total non-interest income	4,758	4,134
Non-interest expenses		
Compensation and employee benefits	8,015	7,103
Occupancy costs	650	617
Operating expenses	4,761	4,601
Total non-interest expenses	13,426	12,321
Net income	3,240	3,383
Other comprehensive income (loss)		
Net adjustments pertaining to defined benefit and other post employment benefit plans	(875)	(834)
Comprehensive income	\$ 2,365	\$ 2,549

Auto Loans

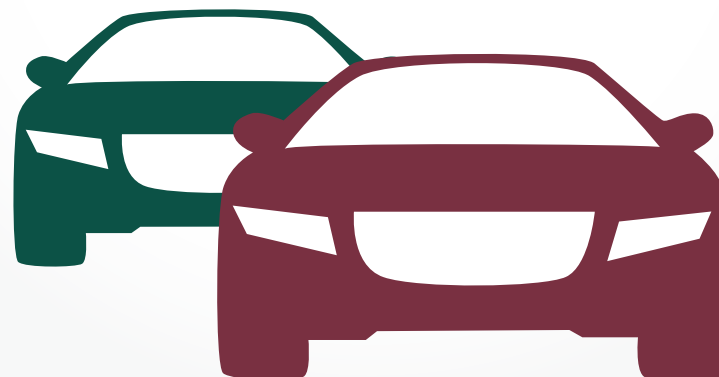
as low as

0.99%
APR*

on new, used or refinanced vehicles

Plus our experts will go with you to the dealership,
protecting you from being overcharged!

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representative to learn more!



*Annual Percentage Rate. Actual rate will be determined based on credit history, term, loan to value, and other factors. Promotion rate does not apply to existing vehicle loans with Central One. Other terms may apply.

MANAGEMENT TEAM

Board of Directors

	<u>Term Expires</u>
Roland G. Carlson, Chair	2019
James S. Chalke, Vice-Chair	2018
Jeffrey M. Pond, Secretary	2017
Christine A. Baril	2019
Diane L. Collins	2017
Carl W. Masshardt	2019
Robert H. McLaren	2018
Anthony C. Pini	2017
Elaine M. Racine	2018

Associate Directors

	<u>Appointed</u>
Keith P. Early	2010
Charles M. Giacoppe	2015
Joshua P. LaPan	2015
Gregory J. O'Connor	2003

Committees (2015 - 2016)

Asset Liability

Michael P. Rooney, Chair
Christine A. Baril
Joshua P. LaPan
David A. L'Ecuyer
Robert H. McLaren
Anthony C. Pini
Jeffery M. Pond
Joseph D. Rollo

Election

Gregory J. O'Connor, Chair
Michael J. Cavanaugh
Keith P. Early

Executive

Roland G. Carlson, Chair
James S. Chalke, Vice-Chair
Jeffrey M. Pond, Secretary

Nominating

Christine A. Baril, Chair
James S. Chalke
Carl W. Masshardt

Personnel

Carl W. Masshardt, Chair
James S. Chalke
Diane L. Collins
Charles M. Giacoppe

Planning

Diane L. Collins, Chair
Anthony C. Pini
Jeffrey M. Pond
Carl W. Masshardt

Supervisory

Gregory J. O'Connor, Chair
Christine A. Baril
Thomas E. Davey
Michael J. Cavanaugh

Member Business Loan

Robert H. McLaren, Chair
David A. L'Ecuyer, Vice-Chair
Michael P. Rooney, Secretary
Jeffrey A. Dunn
Carl W. Masshardt
Michael T. Murphy
James S. Chalke (Alternate)

Member Tribute Month

Elaine M. Racine, Chair
Michael J. Cavanaugh
David V. Kaiser
David A. L'Ecuyer

Security Officer

Elaine M. Racine

IT Steering

Neal R. Reardon, Chair
Ryan A. Angelo
Jeffrey A. Dunn
Keith P. Early
David A. L'Ecuyer
David V. Kaiser
Elaine M. Racine
Michael P. Rooney

Management

President/CEO, David A. L'Ecuyer
Chief Financial Officer, Michael P. Rooney
SVP of Lending, Jeffrey A. Dunn
VP of Info. Sys. & Technology, Neal R. Reardon
VP of Operations, Karen E. Mills
AVP of Commercial Lending, Michael T. Murphy
AVP of Human Resources, Kerry R. Crutchley
AVP of Member Support, Christine M. Bates
AVP of Retail Services, David V. Kaiser
Controller, Joseph D. Rollo
Administration and Training Manager, Kathryn E. Shaw
Card Services Manager, Eva M. Polymeros
Consumer Lending Manager, Kellie A. Drew
Data Operations Manager, Mandy L. Corfey
Facilities Manager, William P. Hamilton
Marketing Manager, Daniel Brent Arnold
Network/Server Manager, Ryan Angelo
Project Manager, Sandra H. Dunay
System Support Manager, Charles A. Frail

Branch Managers

Auburn, Owen J. Russell
Northborough, Scott R. McCarthy
Shrewsbury, Joan M. Day
Westborough, Alan Bo Daley



Shrewsbury Branch (Main Office)

714 Main Street
Shrewsbury, MA 01545
508-842-7400

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 5:00 p.m.
Saturday: 8:30 a.m. - 12:30 p.m.

Extended Drive Up Hours

Tuesday: 7:00 a.m. - 5:00 p.m.
Wednesday: 7:00 a.m. - 5:00 p.m.
Friday: 7:00 a.m. - 5:30 p.m.
Saturday: 8:30 a.m. - 1:00 p.m.

Auburn Branch

63 Southbridge Street
Auburn, MA 01501
508-832-2100

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:30 p.m.

Extended Drive Up Hours

Friday: 7:00 a.m. - 5:00 p.m.
Saturday: 8:30 a.m. - 1:00 p.m.

Northborough Branch

148 Main Street
Northborough, MA 01532
508-393-8112

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:00 p.m.

Extended Drive Up Hours

Friday: 7:00 a.m. - 5:00 p.m.

Westborough Branch

40 South Street
Westborough, MA 01581
508-366-5553

Monday: 7:00 a.m. - 6:00 p.m.
Tuesday: 7:00 a.m. - 4:30 p.m.
Wednesday: 7:00 a.m. - 4:30 p.m.
Thursday: 7:00 a.m. - 6:00 p.m.
Friday: 7:00 a.m. - 4:30 p.m.
Saturday: 8:30 a.m. - 12:00 p.m.

Member Support Call Center

508-842-7400 or 800-527-1017

Monday - Friday: 7:00 a.m. - 6:00 p.m.
Saturday: 8:30 a.m. - 3:00 p.m.

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